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June 6, 1997

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND  
TECHNOLOGY)  
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE  
(ACQUISITION AND TECHNOLOGY)  
DIRECTOR, DEFENSE PROCUREMENT  
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION  
REFORM)  
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(ACQUISITION)  
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Biweekly Activity Report

Forwarded for your review is our biweekly report for the period ending June 6, 1997. This report contains information on our Marketing Efforts, Strategic Planning, DCAA Audit Guidance on supporting Management Councils, the Pilot Plant Program, and enhancing SPI awareness.

Should you have any questions or concerns regarding information contained in the attached documents, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

//Signed//  
ROBERT W. DREWES  
Major General, USAF  
Commander

Attachment

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***Single Process Initiative***  
***Biweekly Report***  
*June 6, 1997*

Introduction

This SPI biweekly report introduces the Block Change Management Team (BCMT) strategic planning efforts to ensure SPI results continue to reflect program goals. The report also provides an overview of ongoing marketing activities to increase contractor participation and supplier involvement, recently released Defense Contract Audit Agency (DCAA) guidance on supporting Management Councils, and efforts to enhance SPI awareness and involvement. In addition, the report discusses three concerns that were recently brought to our attention

Workload Statistics

To date, we have received a total of 896 proposed process changes from 196 contractors. This reflects an increase of 36 new processes and 16 new contractors since our last report. Additionally, our Administrative Contracting Officers (ACO) have executed 21 new block change modifications, bringing the total processes modified up to 450. Current DCAA and Contract Administration Office (CAO) SPI Cost/Benefit Analysis reports reflect \$102.6 million in estimated annual cost avoidance and approximately \$7.4 million in negotiated savings to current contracts.

Appendices A, B, and C contain summary information on SPI activity and details on modifications executed during the current reporting period. Appendix D provides details on new contractors participating in the program and new concept papers submitted since our last report.

Strategic Plan Development

During the next month, the BCMT will develop a comprehensive strategic plan to document their future activities. This plan is being developed due to the changing role of the team, now that SPI is firmly established and the emphasis is on removing implementation obstacles and getting higher return on investment from SPI. A draft strategic plan should be developed by June 25, 1997.

Marketing Efforts

The May 30, 1997 BCMT meeting focused on SPI marketing efforts. The Services and Defense Contract Management District West (DCMDW) presented overviews of their current marketing efforts. A recurring theme throughout these presentations was the need to target likely participants and tailor our marketing approach to individual contractors.

- The Army is encouraging their major commands to review the top 200 contractor list and concentrate on those contractors. The Army reported that all of their top 30 contractors are participating in SPI.
- The Navy sent a questionnaire on SPI participation to 50 Chief Executive Officers to see what they need to increase SPI activity. Future plans include making personal contact with Navy contractors whose SPI activity has decreased.
- The Air Force reported that most of their major contractors are participating in SPI, therefore they are concentrating on increasing participation among smaller contractors.

- DCMDW marketing approach is directed at the geographic field offices. Their approach has six elements: 1) target “high potential” contractors, 2) develop specific contractor profiles, 3) develop a tightly focused marketing presentation, 4) get top management involved right away, 5) expand the Management Council’s role, and 6) aggressively followup.
- DCMC San Francisco also provided their strategy to target high potential contractors by reviewing selected contractor demographic information to develop a list of potential contractors. Those contractors are then prioritized to look for high-payback SPI opportunities. DCMC San Francisco stressed that, in order for SPI to be effective at the DCMC geographic offices, the Management Councils will have to be flexible to adjust to the environment of smaller contractors.

### Areas of Concern

The SPI team will place greater emphasis on open SPI proposals dealing with packaging issues. Senior officials from companies such as Allied Signal, GE Aircraft Engines, and Lockheed Martin have indicated that material packaging and handling is an area that offers considerable potential. A review of the SPI database indicates there are excessive delays in gaining concept paper approval in this area. Additionally, we have found contractors are often asked to include government-unique processes to make the proposed changes acceptable to the buying activity, eroding savings and cost avoidance. Packaging could be a candidate for an OSD level facilitated SPI change under the Pilot Plant Program currently being developed.

The Services have expressed concern that limited manpower and TDY funds are constraining their ability to support Management Councils, especially now that we are expanding the role beyond SPI. The BCMT will investigate this issue and recommend possible solutions when developing their strategic plan. One approach that has already proven effective is to prioritize and work through processes offering high-payback and high probability of success.

Protracted technical reviews are delaying some SPI approvals for small contractors who are submitting concept papers that involve contracts with very short performance periods. Two DCMC offices have reported a problem getting Inventory Control Point (ICP) customers to complete their technical evaluation before the contracts are completed. ICP customers are being asked to technically evaluate these proposals, but they are having difficulty completing their reviews in 60 days. This results in contracts being completed before approval is received, preventing award of a block change modification. We are investigating this issue with our Navy SPI focal point.

### Pilot Plant Program

On May 29, 1997, Mr. David Robertson of the SPI Team attended an initial meeting with Office of the Deputy Under Secretary of Defense (Acquisition Reform) (ODUSD(AR)) personnel to discuss the steps necessary to develop a plan for implementing the Pilot Plant Program. The Pilot Plant Program was established by the Defense Authorization Act for FY 96. The program is limited to two facilities designated by the Secretary of Defense and the discussions so far have centered on ways to use certain aspects of the program at more than just two facilities. We will keep you advised as the plan is developed.

### Audit Guidance on DCAA Support of Management Councils

On June 3, 1997, DCAA issued guidance supporting the expanded role of Management Councils (Policy Memorandum 97-PSP-086(R)). The memorandum outlines the importance of DCAA’s

participation in the acquisition streamlining processes and emphasizes that Field Audit Offices should actively participate on Management Councils and provide any financial advice that may be needed. A copy of the memorandum is available on DCMC's SPI Home Page.

#### Featured Facility: DCMC Lockheed Martin Astronautics, Denver, CO

Lockheed Martin Astronautics (LMA), Denver, CO, has been producing the Titan family of heavy-lift space launch vehicles at its Waterton plant since the mid-1950s. Many other products supporting Air Force, Army, and NASA programs have been brought into the facility over the years. Acquisition reform has been fully embraced by LMA and its Management Council since it first met in February 1996. To date, 14 concept papers have been submitted with 12 concept papers having been approved, replacing 22 Military Specifications and Standards, and a projected savings/cost avoidance of greater than \$10 million over the next 5 years. Astronautics' SPI selection strategy is broken down into three categories: Management Specifications, Technical Specifications, and other SPI improvement initiatives.

Management Specifications: Management Specifications are those mentioned in the Statement of Work, Section 2 of contracts. These were identified as high potential by the Coopers & Lybrand list. Management Councils generally mandate these systems as potential areas because they make good business practices. Dictating specific management practices can inhibit the ability to react to change and adopt innovation and improvement. LMA Management Council adopted a format for the overall tracking of these practices to the 20 elements of ISO 9001, plus an LMA added element #21, Mission Success, not specifically addressed by ISO 9001, but critical to Astronautics' products. All contract Statement of Work, Section 2 specification requirements were mapped into this matrix, providing an overall context and structure for management practices as LMA's "Product Delivery System Manual" (PDSM). Framed in this overall strategy, the Management Council dispositions each management specification as replaced by the Product Delivery System executed by LMA internal policies, practices and procedures. This assures all management issues are properly addressed, and proper insight is provided.

Technical Specification: Through acquisition reform initiatives, Government specifications are being canceled without replacement or replaced with Non-Government Standards (NSG). The Government has a process in place, implemented through the Defense Standards Improvement Council (DSIC), which makes such recommendations for commercial or industry standards for use on future Government procurements. In order for contractors such as LMA to establish and maintain single processes, it is most advantageous for LMA to adopt government recommendations for future procurements as those single processes, and to block change existing contracts to those processes. This is also a prudent course of action in order to maintain Industry Standards through which communication to Government representatives and suppliers can be maintained. Failure to do so would result in the continuation of the existing multiple process methods in use today, in opposition to the spirit of Acquisition Reform. LMA has submitted a concept paper which proposes, rather than submit individual proposals for each canceled specification, DSIC disposition would be considered and subsequently adopted if the disposition meets the business criteria. This takes advantage of Government evaluation of specification adequacy, equivalency, and approval and streamlines the Management Council process. Contract changes would be worked in large blocks through the Management Council, processing the item's disposition by DSIC between each Management Council meeting.

Other Improvement Initiatives: Acquisition reform has also provided the opportunity to work internal SPIs, business process reengineering, and employee suggestions. The Management Council process has increased the chance of success because it has been shown to be the best coordination mechanism to bring together multiple programs, functions, disciplines, and requirements in a positive environment conducive to

change. Opportunities in work include property management and cost reporting. As we continue to work with the Management Council to implement SPI, we will look for new ways to conduct business that will encourage a true partnership for all parties involved.

#### Enhancing Awareness/Increasing Involvement

On May 22, 1997, Mr. Syd Pope, HQ DCMC SPI Team, participated in a Joint Industry Conference (JIC) planning meeting with representatives from the Aerospace Industries Association, Electronic Industries Association, and OSD. Other industry associations are expected to join the JIC planning group. The theme for this year's conference is SPI. The plan is to hold the conference October 28-30 at the Sheraton National Hotel, Arlington, VA. The panels and workshops will cover SPI topics such as high payoff processes, subcontractor SPIs, Management Council roles, and consideration. This will be a very important conference for promoting SPI and Management Councils.

On May 14, 1997, Ms. Jill Pettibone, Executive Director, Contract Management Policy attended a Joint Management Council hosted by DCMC Westinghouse, Baltimore. The meeting was also attended by members of the Defense Contract Management District East SPI Team. An overview of previously submitted concept papers was presented and a new concept paper on the "Earned Value Management System" was also discussed. Other agenda topics included the Joint Management Council Charter, Parametric Cost Estimating, Rapid Prototyping, Electronic Data Interchange, and Early Contract Administration. The meeting was a clear example of expanding Management Council's role beyond SPI.

DCMC McDonnell Douglas Long Beach conducted a 2 day C-17 Supplier Advisory Council Conference May 15-16, 1997. The attendees consisted of executives from eleven C-17 suppliers, along with senior representatives from the program office, DCMC McDonnell Douglas Long Beach, and the prime. The mission of the Advisory Council is to provide a forum for McDonnell Douglas and suppliers to proactively and jointly deploy key strategic initiatives, reduce costs, improve quality of products and processes, enhance competitive posture, and focus on customer satisfaction. The DCMDW SPI Team was given an opportunity to discuss SPI and assist the participants in understanding the SPI process and in particular, the process of escalating problems. At least one supplier had concerns about the difficulty in getting "Packaging" concept papers initiated and approved. The Advisory Council meeting is annual event. As such, we hope to have a more involved role during next year's meeting.

#### Concluding Remarks

The SPI/Management Council process is firmly established and an integral part of DoD's acquisition reform efforts. We are now taking steps to further define the strategic focus of the BCMT to ensure that SPI achieves even greater results. These efforts will undoubtedly generate further refinements in our metrics, marketing approaches, awareness programs, and implementation practices. During this process, we will continue to identify and eliminate barriers or impediments that prevent substantive results.

## **Appendix Index**

**Appendix A - Executive Summary**

**Appendix B - Charts**

**Appendix C - Modifications Completed During Reporting Period**

**Appendix D - New Contractors & New Company Acquisitions**

# **APPENDIX A**

# Summary Report

as of: Wednesday, June 4, 1997

Contractors Which Have Submitted Concept Papers:	196
Key Customer Notification Complete:	156
Component Team Leaders Identified:	126
Total Concept Papers Received:	818
Concept Papers Withdrawn:	130

**Concept  
Papers**

**Proposal  
Development:  
Concept Paper  
(30 Days)**

*Concept papers may contain multiple processes*

Total Proposed Process Changes:	896
Number Initially Accepted :	796
Not Accepted Within 30 Days of Initial Submission:	47

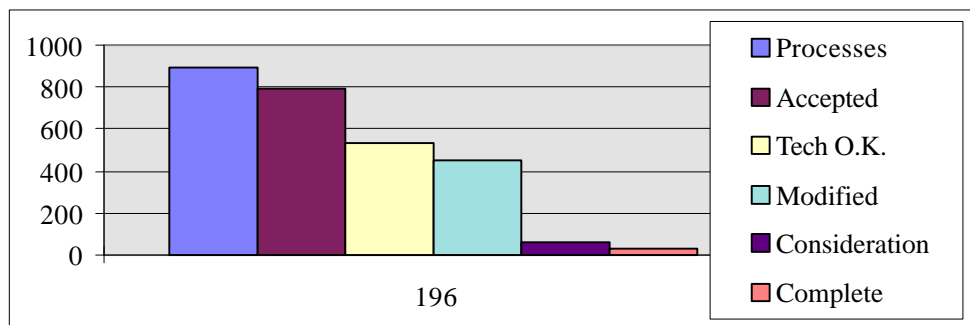
**Approval Cycle:  
Customer  
Notification and  
Agreement/  
Resolution of  
Differences  
(60 days)**

Found Technically Acceptable:	533
Found Unacceptable:	27
<i>Components objecting</i>	
AF	15
Army	16
Navy	19
DLA	4
DCMC	17
NASA	2
Disagreements/Problems Escalated:	1
Not approved within 60 days of Mgt Cncl Acceptance:	96

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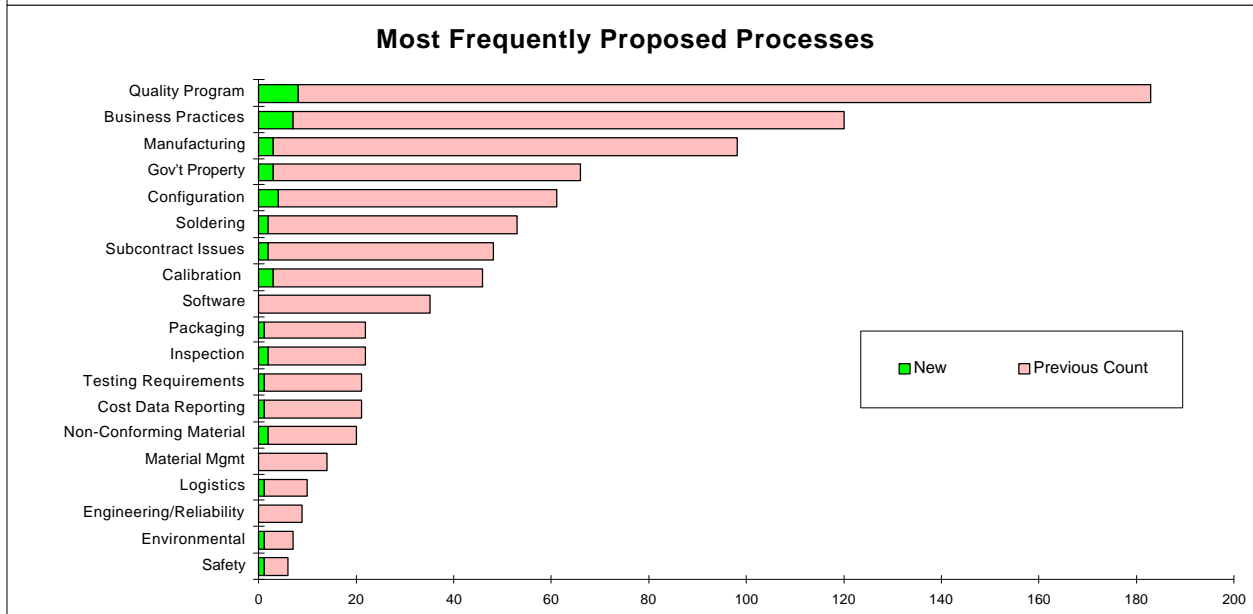
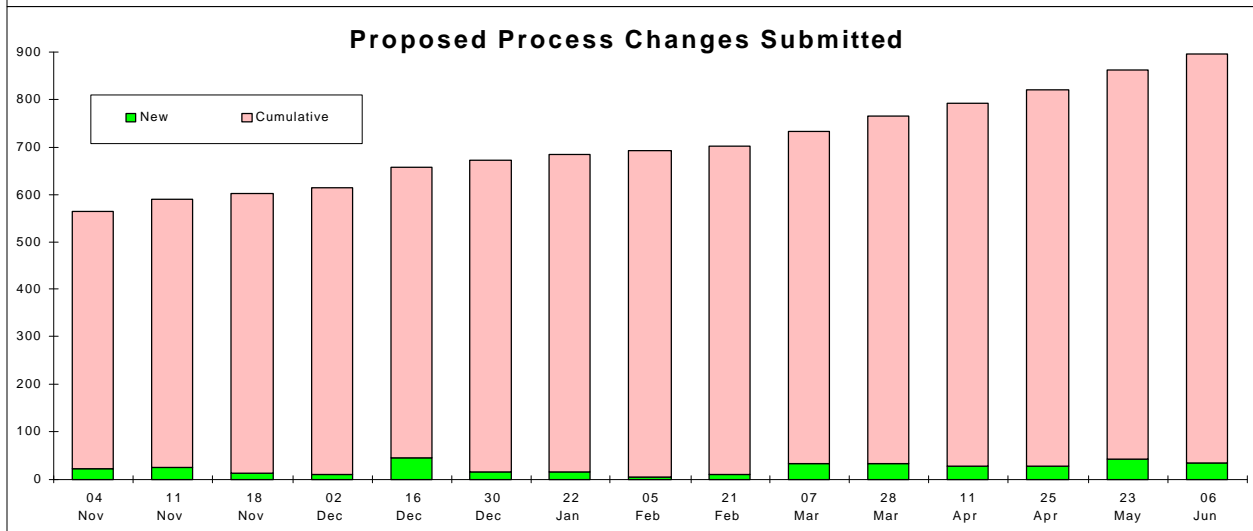
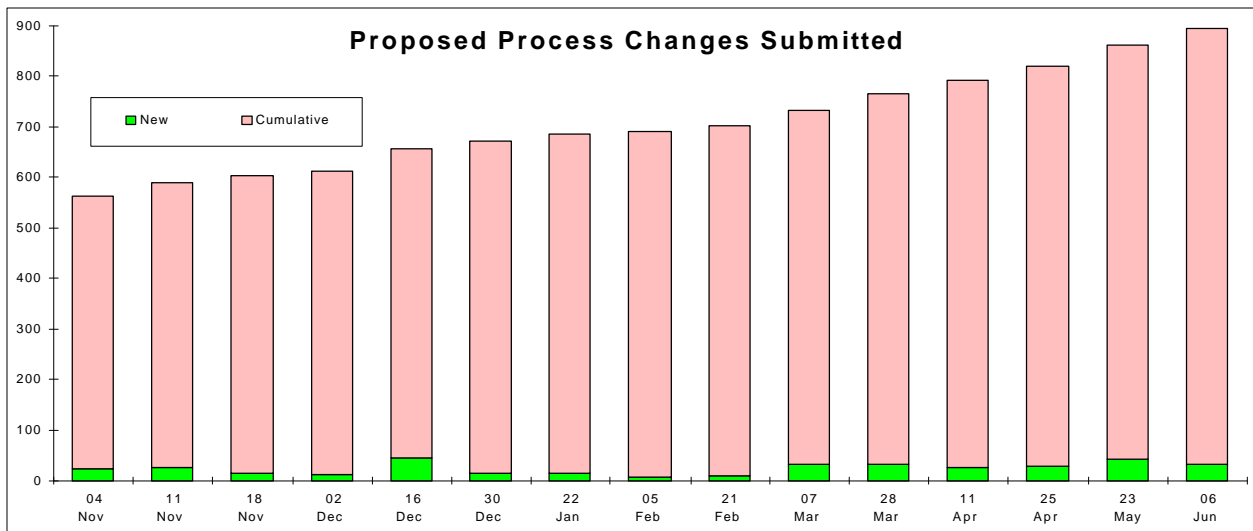
**Modification  
Issuance:  
Negotiation of  
Consideration  
(30 Days)**

Processes Modified:	450
Not Modified within 30 days after Tech Acceptance:	34
Average Days From Submittal to Mod:	130
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Consideration Requested by Government:	59
Cost Proposals Received:	46
Consideration Finalized:	24
All Actions Complete:	545
Currently Active:	351



Appendix A

## **APPENDIX B**



## **APPENDIX C**

***Details on Block Change Modifications Completed During this Reporting Period***

<b><u>Contractor</u></b>	<b><u>Old Process</u></b>	<b><u>New Process</u></b>
Applied Data Technology, Inc., San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
EFW, Inc., Ft. Worth, TX	MIL-STD-2000/-2000A/-454/-45743, WS6536	ANSI/J-STD-001 Class III Soldering
Fike Metal Products, Blue Springs, MO	MIL-I-45208, MIL-Q-9858, Quality	ISO-9001 based Quality System
G.E. Support Services, Mt Laurel, NJ	Mil-Q-9858, Mil-I- 45208 Mil-Std-45662	ISO9002/ANSI/ASQC-Q9002 ANSI/NCSL-Z540-1-1994 Calibration System
GEC-Marconi, Wayne, NJ	MIL-STD-45662 MIL-STD-2000, -2000A, -454	ISO 10012 ANSI/J-STD-001A Class 3 Soldering
High Tech Solutions, Inc., San Diego, CA	Submit Vouchers to DFAS via DCAA	Direct Submittal
Jaycor, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct Submittal
Motorola, Scottsdale, AZ	DOD/MIL-STD-2167A/-498/-1703/-7935A	Contractor's S/W Development Process
Orincon, Corp., San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
Raytheon E-Systems, Waco, TX	Fueled Aircraft in Hangers Subcontracts for Commercial Items	Substitution of National Fire Protection Association Standards (NFPAS) FAR 52.244-7, Subcontracts for Commercial Items
Science and Applied Technology, Inc., San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
Special Project Services, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
SYS, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal

Torrey Science Corporation, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
TRW Space and Electronics Group (S&EG), Redondo Beach, CA	Contractor Billing Reqmts, DFAR 242.803	Direct Submittal of Vouchers to DFAS
TRW Systems Integration Group (SIG), Dominguez Hills, CA	DOD/MIL-STD-2167A/-2168/-498, NHB-2100-91; Software QA Reqts DOD/MIL-STD-2167A/-498  Contractor Billing Reqmts, DFAR 242.803	US/ISO/IEC-12207, Common Software QA System US/ISO/IEC-12207, Common Software Development Direct Submittal of Vouchers to DFAS

## **APPENDIX D**

***Details on New Contractors During this Reporting Period***

<b><u>Contractor</u></b>	<b><u>Old Process</u></b>	<b><u>New Process</u></b>
Applied Data Technology, Inc., San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
Boeing Guidance Repair Center, Heath, OH	DoD2002,-1-2-3-4, Mil-Std-200A	ANSI/J-STD-001B, Class2/3
Buckeye Rubber, Lima, OK	Mil-Spec-ZZ-H-428D	SAE201R(Style2012)
ELANO Corporation, Dayton, OH	MIL-Q-9858	ISO-9000
G.E. Support Services, Mt Laurel, NJ	MIL-I-45208 Mil-Q-9858, Mil-I- 45208 Mil-Std-45662	ISO9001/ANSI/ASQC-Q9001 ISO9002/ANSI/ASQC-Q9002 ANSI/NCSL-Z540-1-1994 Calibration System
Godfrey Aerospace, Piqua, OH	Mil-Std-45662A	ISO 10012
High Tech Solutions, Inc., San Diego, CA	Submit Vouchers to DFAS via DCAA	Direct Submittal
Hyperox Technologies, San Diego, CA	MIL-I-45208A	KTR Equivalent Quality System
Jaycor, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct Submittal
KDI Precision Products, Cincinnati, OH	Mil -Std-454,45743,2000A,1460	J-Std-001
Orincon, Corp., San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
REMEC Corporated, San Diego, CA	MIL-I-45208	ISO9001
Science and Applied Technology, Inc., San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal

Special Project Services, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
SYS, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal
Torrey Science Corporation, San Diego, CA	Submittal of vouchers to DFAS via DCAA	Direct submittal